E/CONF.39/H/29
27 Nov.1962
ENGLISH
ORIGINAL : FRENCH

UNITED NATIONS CONFERENCE
ON THE APPLICATION OF SCIENCE AND TECHNOLOGY
FOR THE BENEFIT OF THE LESS DEVELOPED AREAS

Agenda Item : H

France

FRENCH PLANNING,
PRESENT SITUATION AND FUTURE PROSPECTS

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FRENCH PLANNING

PRESENT SITUATION AND FUTURE PROSPECTS

by Pierre Masse

General Planning Commissioner

PART I - FRENCH PLANNING - PRESENT SITUATION

A. The role of the Plan in French economy(1)

A.1. French planning was started just after the war (Decree of 3 January 1946) in a political and economic context in which people were becoming aware of the inadequacy of spontaneous evolution in modernising French economy, of the disproportion between the immense requirements to be satisfied and the meagre resources available, and of the existence of extensive means of intervention available to the State. During this period, the Plan made it possible to define clearly a certain number of priority targets, to have these accepted by the most important decision-making bodies in the private and public sectors, and to place at their disposal the necessary financial and administrative facilities.

A.2. In spite of significant changes in the political and economic context mentioned above, French planning has never looked back, either in its methods or in the interest shown in political, business and trade union circles. This can be explained by the contribution it can make to solving problems which arise in any economy, whatever its level of development and type of organisation; problems of forecasting and finality.

A.2.1. With structures in a constant state of evolution, the decision-making process must accord increasing importance to changes affecting different factors and to the interplay between these factors. Business firms have adapted themselves to the fluid and therefore uncertain nature of economic life and carry out market studies prior to making any important decision. But a market study is essentially limited in its scope, by the restricted field in which its enquiries are conducted and by the specific nature of the information collected. A medium-term national plan, worked out by a process of synthesis and concerted action, makes it possible to meet these shortcomings by applying to the economic activities of the country as a whole, the behaviour of a company director dealing with his own problems of supply and marketing.

A.2.2. But it is not simply a question of improving the forecasting capabilities of the economic agents on the "periphery". At a higher level, there is the State, with wide economic responsibilities, amongst others, that of assigning part of the country's resources to requirements which are not specifically economic (full employment, national defence, education, basic research etc.). In this case, the Plan can be used to guide economic development in the light of certain normative choices, i.e. in terms of considerations other than the existence of solvent demand. Not that the Plan itself is synonymous with such decisions: in itself it is nothing more than a neutral technique or tool which can be used in the service of widely varied economic ends. But although it in no way prejudges politico-economic decisions, it does change the way in which these decisions are made and accepted, by providing an intellectual framework designed to maintain a balance (and thus rejects the

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(1) See The Results of the first three Plans. Com.Gen.for Planning, (roneoed)

temptation to try to "do everything at once") and a coherent vision of the future[2] (thus making it possible to arbitrate between present and future requirements).

B. Methods used in preparing the French Plan

B.1. At both stages, that of defining general objectives and during the detailed working out of the Plan, these methods are based on medium and long-term projections prepared by government experts and also on consultations with persons and institutions outside the planning agency, during which the results of these projections are discussed, supplemented and if necessary changed.

B.2. The definition of general objectives for the Plan is a political responsibility; for the Fourth Plan, it was the Government which gave the Commissaire General du Plan his directives, specifying the main options affecting the rate of increase in production, the structure of final demand and regional development policy. But these political decisions were taken in the light of medium and long-term projections and consultations with the Investments and Planning Section of the Economic and Social Council.

B.2.1. In France, the use of projection techniques dates back to 1957. It has from the beginning been linked to the requirements of the operation, since projections were made during the preparation of the Third and Fourth Plans, to lay down guiding lines for the sector programmes in the form of a preliminary macro-economic survey of the future. Two projections were made for each Plan, one long-term (1954-1965 and 1956-1975) encompassing the Plan under preparation, the other medium-term (1954-1961 and 1956-1965) the limit of which coincides with the last year of the Plan. The decision-making nature of these projections is again stressed by the fact that the expansion rate on which they are based is not simply an extrapolation of past trends, but is arrived at by selection amongst those rates considered as being most desirable and, at the same time, most compatible with the maintenance of basic economic equilibrium (for the Fourth Plan the range was from 3% to 6%). From the formal point of view, the methods used have the following special characteristics:-

(1) constant-price projections were used, i.e. the weighing of the indices of growth in the volume of goods and services is carried out, using the price structure of the reference year (1959 for the Fourth Plan);

(2) these were detailed projections, for which lists of articles in 17,28 and even 64 different branches of activity were used; this wide cover is essential if the projection is intended for a medium-term economic policy, for it is at branch level that concrete problems of development arise;

(3) these projections exclude for the moment any recourse to an explicit general model, formed from a system of simultaneous equations and inequations. In other words, current French programming is "discretionary" programming; it does include formalised elements (input-output matrices, household consumption functions, certain ratios concerning productive investment), but it refuses to be tied to a system of automatic calculation and, during the process of solving a problem, retains the right to make purely arbitary adjustments based on commonsense or the intuition of the experts.

(2) it being clearly understood that what is involved is a medium-term economic plan within the framework of a long-term projection for certain special sectors (see below).

B.2.2. Before the Government drafted its directives for the detailed preparation of the Plan, the results of the 1965 projection were submitted to the Investments and Planning Section of the Economic and Social Council for comments, to make possible an exchange of views between the State and economic and social grouping on the final objectives of the Plan, at a stage where the Plan itself was still sufficiently plastic for such an exchange to be fruitful. In this connection, the importance which public opinion now attaches to problems of social equipment and disparity in incomes, and consequently the attention paid to them in the Fourth Plan, have both been increased by discussion of the preliminary drafts within the Economic and Social Council.

B.3. During the second phase, the single draft prepared from the various preliminary drafts in the light of Government directives is supplemented, improved on and critically studied with the help of representatives of the Agencies which actually have to implement the Plan. These representatives - civil servants, representatives of management and trade unions - sit on the Modernisation Commissions. Their job is to give their opinion on the results of the projections with regard to production, investments, labour and foreign trade, to supplement them if necessary and to work out development programmes for each branch of activity. This phase of concerted activity is essentially "discretionary" since it comprises discussion, conflict and arbitration, for lack of automatic machinery to weigh the different points of view in the balance and find an optimum. The most one can say is that, in certain intermediate sectors such as power and transport, research has been going on for several years to find an optimum, in order to narrow the field of discretionary choice and, therefore, the risk of error as much as possible.

C. Means of implementing the Plan in France(3)

C.1. The Plan is drawn up by branch of activity, but makes no attempt to lay down a detailed and rigid programme for each firm, to be implemented more or less passively. However, it should not be deduced from this that French planning is purely indicative. It is active in character, implying that, within the framework laid down, action be taken to translate planning into reality. To achieve this, all that must, and need be done is for the Government, industry and private individuals to use the Plan as a constant reference for their activities.

C.2. From the Government point of view, the Plan is primarily applicable with reference to the budget. The Plan is not a four-yearly budget; but if the Fourth Plan is compared with the Third, significant progress can be noted in the field of safeguarding the public investments included in the Plan. Moreover, the Government can exercise its influence over a wide field of application in its day-to-day administrative decisions. The working relationships of the Commissariat General du Plan with the Inter-ministerial Committees and the Special Committees of the FDES have been greatly strengthened. Recent successful operations as, for example, the setting up of certain industrial projects in Brittany, are the fruit of concerted action on the part of the Government, the traditional administrative departments and the Commissariat General du Plan.

C.3. From the point of view of industry, it should be remembered that underlying any quantitative programme is a system of price indications ensuring the implementation of the programme within a system of decentralised decisions (theory of duality). However, for various financial, professional and social

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(3) See "Means of implementing the Plan; Commissariat General du Plan" (roneoed)

reasons, actual prices are sometimes quite different from the virtual prices. Implementation of the Plan then depends on administrative action and economic possibilities. In principle, the latter are to be preferred, in that they include a wide range of incentives and stimulants. To these must be added the favourable atmosphere created by the existence of a coherent Plan, the stimulus of investment by Government authorities and nationalised enterprises, and the effects of the participation of economic circles in the preparation of the Plan.

C.4. Finally, attainment of the objectives of the Plan depends on individual consumption; if it were too low, it would slow down expansion; if it were too high, it would interfere with exports or investment and create a current or imminent imbalance. In other words, balanced production depends on wages earned, spent and saved freely. The Plan, of course, achieves this balance in terms of forecasting (this is the most difficult aspect of its preparation), but it does not guarantee that its forecasts will be translated into facts. To achieve further progress, a wages' policy would have to be worked out which, while excluding any form of constraint, could be based on information obtained sufficiently early and at frequent enough intervals. The Fourth Plan underlined this basic problem, for which no country has yet been able to find a satisfactory solution.

PART II - FUTURE PROSPECTS

A. Preparing the Plan

A.1. Whilst the original French Plan consisted of a series of production targets, since the Fourth Plan the objectives are components of final demand (consumption, investment, exports), from which can be deduced the levels of production and imports required in the different sectors of the economy; thus the distinction - and the hierarchy - between ends and means is restored, the former being the primary object of development, the latter being the second, though this does not mean they are secondary. This new way of looking at the problem has naturally led to the idea of inviting the nation to participate in the choice of ends to be pursued, through the mediation of representative bodies such as the Investments and Planning Section of the Economic and Social Council. For the Fifth Plan, this democratisation process will be carried considerably further. In actual fact, by approving the Fourth Plan, Parliament, in agreement with the Government, voted measures the effect of which will be to institute in the Parliament a preliminary debate on the main lines of the Plan.(4) In view of the political nature of a debate on the general objectives of the Plan, it is normal that Parliament be closely associated with it. But if the discussion is to be clear-cut and the vote unambiguous, the methods used in preparing the drafts require adaptation.

A.2. The discretionary, non-formalised nature of the procedure does in fact present a certain number of disadvantages which are not exclusively technical. Although its progressive, step-by-step approach to programming makes it possible to detect any departure from reality, and therefore to make corrections where necessary and although its flexibility makes it compatible with the serious imperfections of the raw material it deals with, it does represent a heavy load for programming, it is difficult to explain to the non-initiated and it makes democratic discussion of the general trends of the programme almost impossible. In particular, discussion of the various rates of expansion for the Fourth Plan gave rise to some misunderstanding. In the

(4) More specifically, the Government will be required to table before Parliament, sufficiently in advance, a Bill expressing approval for a report on the general trends.

minds of the experts who had prepared the draft plans, adoption of the most rapid rate of expansion entailed the acceptance of three counterparts. The first - increase in the proportion of the national product devoted to investment and a consequent reduction in consumption - was explicitly announced in figures and understood. This was not true, however, of the second counterpart, which was a reduction in the excess balance of payments and a consequent acceptance of a greater risk; nor was it true of the third, which implied greater developments in technology, a more dynamic approach from industry and wage restraint. It was because of an insufficient appreciation (resulting from a weakness inherent in the discretionary method which fails to present the problem explicitly enough) that the Investment and Planning Section of the Economic and Social Council opted in favour of the maximum index of 6%. This led the General Planning Commission, and then the Government itself, to fix their sights somewhat lower. This shows the value of a formalised procedure which makes it necessary to present all assumptions explicitly and pin them down from the beginning of the process and so to minimise any risk of misunderstanding and facilitate democratic discussion. Furthermore, it makes it possible to explore a large number of variants very rapidly by the use of electronic computers. At the present stage of study on the Fifth Plan, it is intended to work out a basic draft and several variants, some of which will apply only quantitative considerations (household consumption, collective equipment, hours of work) and are therefore easy to examine and formulate. The problem becomes more difficult in making a choice between an objective expressed in numerical terms, e.g. the rate of expansion, and factors which cannot be so expressed, e.g. the mobility of labour and the stability of balances. There is no doubt, for example, that economic expansion could be speeded up if the mobility of labour were increased. But to be more explicit than that this qualitative virtue of an economy, i.e. fluidity of population would have to be translated into quantitative terms. In this field, realistic alternatives can only be formulated after thorough study and reflection. In the same way, we should be less afraid of over-employment if it were possible to define, in the field of wages, socially balanced safety measures which would act as a counterpart for wage restraint. Finally, one of the variant draft plans will be devoted to a more active regional policy. The Fourth Plan which, for the first time, instituted a decentralised procedure for working out the regional implementation stages, makes a distinction between the so-called "concomitant policy" to be applied in the economically strong areas and the policy of active stimulation to be followed in the poorer areas. The concomitant policy can be defined as the regional expression of the traditional economic rationale. By definition, the stimulation policy goes beyond that rationale. But if one excludes the normal criteria, how can one judge whether one form of stimulation is preferable to another? How can one avoid the risk of an accumulation of stimulants, which might then seriously endanger the economic stability of the strong areas, sap the vigour of the whole economy and consequently harm the poorer areas themselves? Whenever a stimulant policy is applied, it becomes necessary to lay down a new economic rationale.

A.3. In the concerted drafting of programmes by sector, the General Planning Commission does not intend to increase the number of branches, and has even less intention of replacing branch plans by plans for individual industries or products. Although it is essential to fix and attain specific objectives, to ensure the success of the development policy in the field of major products and basic services such as steel and electricity, the situation becomes increasingly different as one approaches the immensely diversified field of consumption goods. Trends in cost prices and variations in consumer tastes may lead to a decrease in the number of refrigerators purchased and an increase in the number of washing machines, but this in no way compromises the success of the Plan. Conversely, the more detailed the planning, the greater the risk that circumstances will prove it wrong. The planning agency's task would thus be made more onerous by the size of the initial programme and the need for frequent revisions. It would need more staff to obtain results, which would

be less dependable. It would have difficulty in seeing the wood for the trees. Lastly, it would deprive economic agents as a whole of a powerful stimulant in the form of a decentralised decision-making machinery. After the accomplishment of the political act implied in the choice of objectives, the working out of branch programmes by the Modernisation Commissions is more technical in character. It is nonetheless important that there be a well-balanced representation of Government departments, industry and organised labour. To ensure adequate representation of the trade unions, it is intended to reduce slightly the number of working groups of certain Commissions which have tended to over-refine their analyses, and more particularly, to pursue a programme of economic indoctrination which would in any case pay dividends. However, rather than try to achieve numerical parity, which would be completely without meaning in these strictly informal Commissions - where no vote is taken and where each member is free to express his disagreement in the summary records and reports - it would be preferable to try to increase the influence of the trade unions by having some of their representatives appointed Chairman or Rapporteur of Commissions or working groups.

B. Means of implementing the Plan

B.1. Implementation of the Plan is based, as we have seen, on administrative measures and economic means, preference being given to the latter. These take the form of a price structure and a series of incentives. A wide range of these incentives exist and these are described in the Fourth Plan. They have been proved useful, but they are not yet perfect and they are currently undergoing thorough study, in particular to see how effective they could be in promoting regional development. In addition, other forms of incentive and positive action are not excluded, such as, for example, the possibility of public intervention in under-developed branches of the economy in which private enterprise has shown no spontaneous interest.

B.2. Any change in policy in the field of the means of implementing the Plan seems to be unwise, both from the point of view of promoting human well-being and from that of efficiency. This is borne out by examples provided by Eastern countries which, after experimenting with centralised management of the economy through administrative channels, seem now to be coming back to a decentralised decision-making machinery, and the use of incentives.

B.3. However, implementation of the Plan is not limited to the problem of a choice between administrative measures and financial incentives; in view of the uncertainties introduced into French planning by the progressive lowering of national frontier barriers in certain branches of activity, future activity will be less a question of all-powerful planning than of the modern Theory of Games, in which the intentions of the opponent must always be taken into account. The difficulties created by this situation (which affect the drafting of the Plan as much as its implementation) must be solved by working out progressively within the E.E.C. a common policy in sectors in which the limits of useful competition have already been, or soon will be, reached; i.e. a common agricultural policy, common energy and power policy and, some day perhaps, a common policy for the automobile industry.

CONCLUSIONS

Some lessons suggested by French experience

1. Planning methods. The concerted elaboration of a Plan makes it possible to invite the various economic andsocial forces to participate in defining a development policy and grasp its implications. The Plan has thus more chance of being understood and accepted than if it were the work of a restricted group of experts. But one should not conceal the fact that

concerted planning is fruitful only if the participants have a minimum of awareness of what development entails, and are determined not to sacrifice the long-term interests of the community to obtain short-term sectional advantages. Participation in planning activities does exert a positive influence along these lines, but it cannot create a sense of civic responsibility out of nothing; this can only be born of a patient process of education. That is to say that, while making every effort to preserve the light-weight structure of the planning agencies, which makes it easier to fit them into the overall administrative machinery, the Public Authorities should be careful to see that concerted action does not turn into branch or regional corporatism. The input-output techniques are an effective safeguard against the former. Against the latter, one must maintain a judicious balance between the sector and regional contexts of the Plan.

2. Content of the objectives. The fact that, for many years, French planning has attached great importance to considerations of equilibrium should not lead us to forget that the First Plan gave priority to the modernisation and development of the basic sectors of the economy, to the detriment, short-term, of the producers of consumer goods and of social requirements. It is all the more true that, in a country where the economy is not yet under way, efforts must be concentrated on activities which, after thorough study, seem most appropriate to act as stimulants or motive forces to the rest of the economy. But of course, there can be no question of drawing up a hard and fast list of these motive forces, which must vary according to the human and natural resources of the countries concerned. However, what has been said shows that, though planning can be a stabilising factor, it must be considered as much, if not more, as an instrument of development. The desire to improve mthods and statistics is perfectly legitimate, but it would defeat its own object if it led to neglect of tasks as basic as the coordination of administrative action, duplications in investment programmes or modernisation of agriculture. Without making a fetish of action for action's sake, which is particularly dangerous when resources are scarce, planning must first and foremost be used to mobilise private and public enterprise in aid of economic development.

3. Problems in implementing the Plan

3.1. In reality, there are no means of implementation which are valid at all times and for all sectors without distinction. The only rule that can be based on French experience is that administrative measures are justified in periods of depression, during which the market ceases to be an adequate instrument for distributing resources, but conversely, financial incentives can be powerless to remedy certain problems which are subjects more for a political macro-decision than for day-to-day economic calculations. One is thus led to envisage, as schematic hypotheses, three situations in terms of which the instruments of political economy can be defined; non-profit-making public services, directly managed by the State, for which the Plan would be mandatory; the productive, long-term investment sectors, for which strategic decisions would be based on a long-term policy worked out in common by the firms concerned (whatever their legal status) and the public authorities; and the light investment sectors, working to satisfy current and solvent need where private enterprise and competition would have free play, within the limits of an overall envelope defined by the Plan.

3.2 The Plan thus seems destined to play the role of a framework for discussion between the State and the big firms, as a result of which it would be easier to draft a sort of "specification" (F. Perroux and R.

Demonts) indicating the commitments of the various contracting parties and designed to serve the needs of implementing the Plan.

3.3. In conclusion, it is not to the early beginnings of French planning that I wish to refer, but to the present situation, to stress the fact that if France, as member of a vast economic bloc, must avoid duplications of investment effort amongst the Six, against which she will no longer be able to protect herself, as in the past, with tariff walls and quotas, these dangers are even greater in the uncommitted countries, whose resources can only be mobilised by using industrial facilities on a scale far beyond the financial capacities or the market requirements of each of these countries taken separately. Planning at national level, therefore, whatever its merits, can only be a necessary, but transitional, step towards multinational planning within the framework of vast regional economic groupings.

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